1. **What is a mortgage?** (http://tiny.cc/whatismortgage)
   A mortgage is a type of loan used to buy a home or other property.

2. **Where to get a mortgage?** (http://tiny.cc/qualifyingformortgage)

   Mortgage lenders lend money directly to you. They include banks, mortgage companies, insurance companies, trust companies, loan companies and credit unions.

3. **What financial requirements does mortgagor must meet to qualify for a mortgage?** (http://tiny.cc/qualifyingformortgage)
   - Good credit score
   - Your total monthly housing costs (mortgage payments, property taxes, heating, 50% of condo fees) shouldn't be more than 32% of your gross household income.
   - Your total debt load shouldn't be more than 40% of your gross income. This includes your total monthly housing costs plus all of your other debts such as credit card payments, car payments, lines of credit, student loans, etc.

4. **How often does mortgagor make mortgage payments?** (http://tiny.cc/mortgagepayments)

Payment Frequency	Description
Monthly	One payment per month for a total of 12 in a year.
Semi-monthly	Two payments per month for a total of 24 in a year.
Biweekly	A payment every two weeks for a total of 26 in a year.
Accelerated biweekly	26 payments plus one monthly payment divided by 26
Weekly	One payment per week for a total of 52 in a year.
Accelerated weekly	52 payments plus one monthly payment divided by 52

5. **What is the minimum down payment required for a mortgage?** (http://tiny.cc/dwnpayment)

Purchase price of your home	Minimum amount of down payment
$500,000 or less	5% of the purchase price.
$500,000 to $999,999	• 5% of the first $500,000 of the purchase price • 10% for the portion of the purchase price above $500,000.
$1 million or more	20% of the purchase price.

6. **When does mortgagor have to buy mortgage loan insurance?** (http://tiny.cc/dwnpayment)
   • If your down payment is less than 20% of the price of your home.
   • If you're self employed or have a poor credit history.

7. **Read Muriel's case and list one advantage and disadvantage~~s~~ of a large down payment vs. a small down payment?** (http://tiny.cc/murielscase)

	Large Down payment	Small Down payment
Advantage	She will pay less interest	Extra money for other costs
Disadvantage	Less money for other costs	She will pay more interest.

8. Define the following terms: (http://tiny.cc/mortgageterm**)**

Mortgage Term	is the length of time that the mortgage agreement at your agreed interest rate is in effect.
Amortization Period	is the length of time it will take to fully pay off the amount of the mortgage loan.

Example – ***Mortgage Term***
Andrew and Marc want to get a mortgage for $150,000. Their banker suggests a five-year term with a 5.25 percent interest rate. This means that they will make regular payments of principal plus interest for five years. But the $150,000 will not be fully repaid at the end of the term. When the five years are up, they will have to renew the mortgage for a new term at a rate that will then be available. They will be free to look for a better deal from other lenders, but if they choose a different lender, they will have to pay off the mortgage with the current lender through the arrangement with the new one.

Mortgage amount: $150,000
Term: 5 years
Interest Rate: 5.25%
Amortization Period: 25 years
Amount remaining to be paid at end of five-year term: $133,277

Example – ***Amortization Period***
The monthly payments on the couple's $150,000 mortgage would be $894 with a 25-year amortization. The total interest paid over the life of the mortgage would be $118,163. With a 20-year period, their payments would be increased to $1,006, but because they will pay interest for five fewer years, they would pay a total of $91,449 in interest—almost $27,000 less interest in total.

Fill out the table.

Mortgage Information	25-year amortization	20-year amortization
Mortgage amount	$150,000	$150,000
Amortization period	25 years	20 years
Interest rate	5.25%	5.25%
Monthly payment	$894	$1006
Total Interest paid	$118,163	$91,449

Which amortization period is better? Why?
20-year one because you pay less interest and save $26,714.

9. Lenders frequently offer two types of mortgages: open and closed.
Identify the key features of each type (http://tiny.cc/typesofmortgages)

OPEN MORTGAGES	CLOSED MORTGAGES
- can make extra payments at any time	- fee for prepayment or limited
- you may pay the mortgage off completely	- lower interest rate
- interest rate is usually higher	-
- short term : six months or a year.	-

10. Go to **http://tiny.cc/interestrate** and define the following:

Fixed Interest Rate	You agree to a certain "fixed" rate of interest in the mortgage contract. Interest rate and amount of your payments are fixed.
Variable Interest Rate	The interest rate can change during the term. It is adjusted to reflect market interest rates which generally follow the Bank of Canada Bank Rate.

11. Go to **http://tiny.cc/fixedorvariable** and read the factors to consider when choosing between a fixed and variable interest rate mortgage. Which type would you choose? List at least **three** reasons to justify your decision.

Answers may vary

12. Go to **http://tiny.cc/ratecomparison.** If you desire, you can change the home price, location, down payment %, etc. In the table below, you will record the best interest rate for different options. For example, the link shows the results for 5-year fixed (closed) mortgage (recorded in the table below)

RATE TYPE

	FIXED		**VARIABLE**	
TERM	**CLOSED**	**OPEN**	**CLOSED**	**OPEN**
1 YEAR	3.54% Rapport Credit Union	6% Motusbank	**N/A**	**N/A**
3 YEAR	3.09% TD Bank	**N/A**	3.95% Laurentian Bank	4.95% (no pre) Alterna Savings
5 YEAR	**2.69%** ***Motusbank***	**N/A**	3.45% TD Bank	4.95 (no pre) Desjardins
18 YEAR	**N/A**	Pre-approval: No 8.50% B.O.M	**N/A**	N/A

13. What sort of special features / special offers are there?

- Cash back